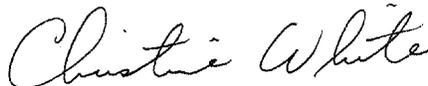


For: State and County Offices

FY 1999 PFC and MLA Overpayment Register Review Findings

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

Notice PF-129:

- advised State and County Offices that a review is being performed on FY 1999 PFC and MLA overpayment registers for a variety of reasons
- instructed County Offices to FAX FY 1999 PFC and MLA overpayment registers to PECD, Common Provisions Branch, by COB March 17, 2000.

Notice PF-132 included a list of County Offices that needed to resubmit the documentation outlined in Notice PF-129.

The overpayment register review:

- has now been completed by the National Office for the documentation submitted
- identified problematic areas that need to be addressed about PFC overpayment processing

Note: Many of the problems found on the overpayment registers are the same problems that are contributing to a large volume of requests for authorization codes.

- helped to identify possible software modifications that can be made to streamline the overpayment process
- identified areas of procedure that should be clarified.

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Disposal Date	Distribution
October 1, 2000	State Offices; State Offices relay to County Offices

Notice PF-136

1 Overview (Continued)

A

Background (Continued)

This notice should help to identify problematic areas so State and County Offices will understand the proper procedures that should be followed in various situations.

This notice should not be interpreted as critical of the work of County Offices. It is:

- in response to requests from the field for the National Office to assist in identifying problems
- to provide information to help eliminate problems that are creating unnecessary workload.

An emphasis must be placed on ensuring that the proper disbursement of payments, and subsequent demand for repayment when necessary, is one of highest importance.

B

Purpose

This notice:

- advises State and County Offices of how the review was conducted
 - reiterates the purpose of the overpayment register and action required by County Offices and DD's
 - identifies PECD's conclusions of the information that was received
 - identifies situations causing outstanding overpayments to be listed on overpayment registers that cannot be rectified
 - identifies situations causing outstanding overpayments to be listed on overpayment registers that shall be rectified by County Offices
 - describes required State and County Office action.
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Notice PF-136

2 General Conclusions of Review

A

Purpose of the Overpayment Process

The overpayment process is a tool available to County Offices to assist in identifying producers that were paid, but who:

- are no longer eligible for the payment that was issued
- did not earn the payment amount issued based on revised contract data.

2-PF, paragraph 221 requires that County Offices compute overpayments for **all** farms for all program years at least once every 60 calendar days to ensure that:

- producers are timely notified of debts due CCC
- the debt will not be written off because of the finality rule.

2-PF, paragraph 141 requires that DD's review the overpayment register to ensure that County Offices are:

- running the overpayment process in a timely manner for all program years
 - collecting debts by notifying producers in a timely manner
 - correcting information in the system that causes producers to be listed on the overpayment register erroneously.
-

B

Conclusions

It does not appear that, of the overpayments listed on the registers, there are a large number that are actual debts that must be demanded for repayment. However, there are problematic areas that need to be addressed.

The following are conclusions from reviewing the overpayment registers submitted.

- Many County Offices are not following the provisions of 2-PF to process overpayments timely. As a result, producers are not being timely notified of debts due CCC.
 - DD's need to place a higher emphasis on reviewing overpayment registers and ensuring that the proper action is being taken by County Offices.
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Notice PF-136

2 General Conclusions of Review (Continued)

B Conclusions (Continued)

- Enough emphasis is not being placed on ensuring that the system is updated properly. Overall, there are not that many actual debts due CCC, but County Office failure to update the system properly results in the appearance of overpayments. More emphasis should be placed on ensuring that the system is updated properly, for all areas of responsibility. This should also have a positive impact on timely PFC payment processing.
 - Some County Offices and DD's do not have a good understanding of the overpayment process and the meaning of the messages that are printed on the overpayment registers.
 - It appears that some County Offices are not applying the succession-in-interest provisions properly. A large number of succession-in-interests have not been recorded in the system to ensure that successors are paid properly.
 - It appears that some overpayments may have been transferred to CRS that are not actual debts to CCC.
-

3 Situations That Cannot Be Corrected

A Introduction

Generally, there are very few situations in which the system will cause producers to be erroneously listed on an overpayment register. In these **limited** cases, it is appropriate to annotate the overpayment register because the:

- producer is not legitimately overpaid and a debt should not be established
- condition causing the producer to be listed cannot be corrected in the system.

The remainder of this paragraph describes:

- known conditions that will cause producers to be listed on the overpayment register erroneously
- reasons why the producer is not necessarily overpaid.

Reminder: County Offices shall take extra caution in ensuring that only legitimate debts are transferred to CRS.

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3 Situations That Cannot Be Corrected (Continued)

**B
Entity Type
Changes**

The producer's entity type is a very important variable in the PFC payment and overpayment processes. The entity type tells the system whether the payment should be calculated at the producer level or the member level. If the producer is a joint operation (02 or 03 entity type), then the payment is calculated at the member level and the eligible member's payments are added together so only 1 payment is issued to the joint operation.

The system is designed to identify a producer by the producer's ID number, ID type, and entity type. In some situations when an entity is restructured, the entity is not required by IRS to obtain a different ID number. The result is that the new entity has the same ID number, ID type, and a different entity type.

Example: A partnership restructures to become a Limited Liability Corporation (LLC). This creates a problem for the payment and overpayment processes.

Before the entity type can be changed in the name and address file, County Offices are required to delete the producer from the entity file. By deleting the producer from the entity file, the PFC overpayment process actually considers that the producer no longer exists, which results in the producer being listed on the overpayment register. As a result, the producer will be listed on the overpayment register for each year in which payments were issued under the original entity type.

Example: Producer A, a general partnership, received PFC payments in 1996, 1997, 1998, and 1999. In FY 2000, the entity is restructured into an LLC. This change will cause the producer to be listed on the 1996, 1997, 1998, and 1999 overpayment registers because the:

- producer did not obtain a new ID number for the entity, but the entity type changed

	ID Number	ID Type	Entity Type
Before -	99-1234567	E	02
After -	99-1234567	E	04

- system recognizes that the producer (02 entity type) has been deleted from the entity file.

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Notice PF-136

3 Situations That Cannot Be Corrected (Continued)

B

Entity Type Changes (Continued)

In these cases, the County Office cannot correct the condition that is causing the producer to be listed as overpaid. If a change to the producer's entity type occurs, County Offices shall **manually verify** that:

- the producer has actually been paid correctly based on the payment earned on each farm
- payments issued to the "person" do not exceed the producer's payment limitation, especially in cases where the entity went from multiple "persons" to just 1 "person".

If it is determined that the producer is not overpaid:

- **do not** transfer the overpayment to CRS
- the overpayment register should be annotated accordingly.

Note: The FY 2000 PFC overpayment software has been partially fixed to eliminate this problem. However, a permanent solution is not possible for situations where the entity type is changed from a joint operation (02 or 03 entity type) to something other than a joint operation, or visa versa.

C

Producers Who Refuse Payments After Receiving Payments

In a few cases, County Offices indicated that overpayments listed on the 1999 PFC and MLA overpayment registers were the result of the:

- producer refusing future payments after the 1999 payments were issued
- successor refusing payments.

The following rules apply to setting the refused payment flags. If the producer is refusing:

- **only the PFC payments** on 1 or more farms, ensure that the refused payment flag is set to "Y" in the CCC-478 worksheet process for each applicable farm
 - **all** payments for all programs, ensure that the refused payment flag is set to "Y" in the name and address file.
-

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Notice PF-136

3 Situations That Cannot Be Corrected (Continued)

C

Producers Who Refuse Payments After Receiving Payments (Continued)

If a producer has actually refused all payments and the refused payment flag is set to “Y” in the name and address file, the producer will be listed on the overpayment register if:

- payments have been issued to the producer
- amounts have been attributed to the producer through a succession.

Note: If the refused payment flag is set to “Y” in the CCC-478 worksheet process, the producer will only be listed on the overpayment register for the applicable FY if:

- payments have been issued to the producer
- amounts have been attributed to the producer through a succession.

In these cases, the County Office cannot correct the condition that is causing the producer to be listed as overpaid and the overpayment register should be annotated accordingly.

Reminder: Successors can refuse payment and the payments issued to the predecessor are not required to be refunded, as long as the successor timely succeeds to the contract. See 1-PF, paragraphs 326, 326.5, 327, and 328 for additional information on successions-in-interest.

D

Ineligible Successors

In some cases, producers who timely succeed to a contract after PFC payments have been issued to a predecessor are either of the following:

- refusing to file all the required eligibility documentation
- failing to file the documentation timely.

After a succession-in-interest is recorded, the payment amounts originally issued to a predecessor are attributed to the successor. The system considers the successor as having received that payment amount for the purpose of calculating the earned payment for the crop. So if the successor is not eligible for payment because they failed to file CCC-502 or other documentation, the successor will be printed on the overpayment register even though a payment was never received.

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3 Situations That Cannot Be Corrected (Continued)

D

Ineligible Successors (Continued)

Note: Succession-in-interest payment reduction amounts **do not** apply against the successor's payment limitation. The amount actually received by the predecessor continues to apply against the predecessor, for payment limitation purposes, even though a succession has been recorded. This ensures that the "person" does not receive payments in excess of the payment limitation allocation. See 2-PF, paragraph 14.

In these cases, the payments issued to the predecessor are not required to be refunded because a timely contract succession occurred. However, the County Office cannot correct the condition that is causing the producer to be listed as overpaid and the overpayment register should be annotated accordingly.

Reminder: 1-PF, subparagraph 301 E provides that the final date for participants to provide all necessary signatures and related documents is August 1 of the FY to be eligible for payment for that FY. MLA payments are issued to those producers eligible for final PFC payments. Therefore, successors are required to file all required eligibility documentation by August 1 of the applicable FY to be eligible for MLA payments.

E

Combined Producers

There are 2 conditions involving combined entities that will cause a producer to be listed on the overpayment register when the producer is not actually overpaid. These conditions are very **specific** to the following circumstances.

- Producer with a zero permitted share is combined with another producer or producers who have received payments.
- Several producers are combined, but 1 or more of the producers have different permitted shares.

PFC and MLA overpayment processes are designed to:

- calculate the producer's effective payment limitation
 - compare the producer's calculated payment limitation to payments already issued to all members of the combination.
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3 Situations That Cannot Be Corrected (Continued)

E
Combined
Producers
(Continued)

When the total payments issued to all members of the combination exceed the specific producer's effective payment limitation allocation, the producer will be listed on the overpayment register.

Example 1: Producer X has a zero permitted share, but is combined with other producers that have a 100 percent permitted share. Producer X:

- has not received any PFC payments
- will be listed on the overpayment register for the total payments issued to the members of the combination, because Producer X has an effective payment limitation allocation of zero.

Example 2: Producer A has an effective payment limitation of \$20,000 because of a 50 percent permitted share. Producer B has a 100 percent permitted share. Producer A is combined with Producer B and the total payments issued to both producers is \$25,000.

- Producer A will be listed on the overpayment register because the total payments issued to the combination (\$25,000) exceed Producer A's effective payment limitation (\$20,000).
- Producer B will not be listed on the overpayment register because the total payments issued to the combination (\$25,000) do not exceed Producer B's effective payment limitation (\$40,000).

In these specific cases, an actual debt does not exist and the overpayment register should be annotated accordingly.

Recommendation: Because these are very unique situations, extra caution should be taken when reviewing overpayments for producers meeting the conditions described in this subparagraph. It is recommended that the:

- County Office confer with the State Office for guidance
 - State Office contact PECD for guidance, if necessary.
-

Notice PF-136

4 PFC Overpayment Situations That Must Be Corrected

A

Introduction

If a producer is listed on an overpayment register and it is subsequently determined that the producer is not actually overpaid, County Offices are required to update the system appropriately so the producer is no longer listed on the overpayment register. This ensures that:

- the system accurately reflects the producer's eligibility and participation status
- receivables are not accidentally established.

As described in paragraph 3, there are very few conditions that will cause an overpayment to be listed that:

- is not an actual overpayment
- cannot be corrected in the system.

Except for the situations described in paragraph 3, the overpayment conditions can and should be corrected. The remainder of this paragraph describes many of the conditions that existed on the overpayment registers submitted.

Note: An effort has been made to provide as much information as possible about various conditions that were identified during the review. However, many cases are unique and the conditions identified in this paragraph may not necessarily apply to each County Office's situation.

County Offices are reminded that overpayments shall only be transferred to CRS if it is determined that the overpayment is an actual debt to CCC.

While it is imperative that producers are timely notified of outstanding debts, it is just as important that only those producers with actual debts are notified that a debt exists. It is the County Office's responsibility to take immediate action on any overpayment that is listed on an overpayment register. This action can be either of the following:

- correct the condition causing the producer to be listed as overpaid, if it is determined that the producer is eligible for the payment
- transfer the overpayment to CRS and notify the producer according to 58-FI and 67-FI.

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Notice PF-136

4 PFC Overpayment Situations That Must Be Corrected (Continued)

B

Eligibility Flags

Over 22 percent of the producers listed on PFC overpayment registers were listed because of an eligibility condition for multi-county producers.

In most of these cases, County Offices indicated that the producer was not actually overpaid and that they were contacting other County Offices to update their files. Many County Offices indicated that producers had just been added in other County Offices because of program participation in CDP, LAP, and LIP.

Of the producers listed on PFC overpayment registers with bad eligibility flags, approximately 53 percent of the producers were listed because the FCI flag had not been updated in all County Offices.

County Offices are reminded of the following:

- **all** County Offices are required to:
 - promptly update **all** eligibility flags to accurately reflect the determinations that have been made for the producer
 - properly maintain the eligibility files for prior years
- 7 CFR 1405.6 requires that for a producer to be eligible for AMTA program benefits, that producer must comply with either of the following:
 - obtain at least the catastrophic level of insurance for each crop of economic significance in which the producer has an interest
 - provide a written waiver that waives any eligibility for emergency crop loss assistance in connection with the crop.

These requirements exist regardless of whether the applicable County Office actually maintains an AMTA contract for a given multi-county producer.

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4 PFC Overpayment Situations That Must Be Corrected (Continued)

C

Insufficient Payment Limitation Allocations

The overpayment register review by PECD resulted from a report that was prepared on the mainframe in KC-ITSDO that indicated that 50 producers nationwide, who are not otherwise exempt, received payments in excess of the \$40,000 payment limitation.

The decision to review the registers was made when, in all these cases, except 1, State and County Offices advised PECD that the producers were not actually overpaid. However, a review of the payment history documentation by PECD revealed otherwise.

In reviewing several of the cases from the KC-ITSDO mainframe report, it was determined that there is confusion about amounts attributable to payment limitation for producers involved in successions-in-interest. Succession records are recorded to the payment history file solely for the purpose of calculating the earned payment for a crop. These records are not used to determine amounts issued for payment limitation purposes; in fact, they are ignored. 2-PF, subparagraph 14 D provides a list of what is charged against the \$40,000 payment limitation.

The system adds the total payments issued minus any receivables that have been established and compares that to the producer's payment limitation. If the total amount issued is greater than the producer's payment limitation, the producer is overpaid.

Example: Producer A received 100 percent of the rice payment on FSN 100. The rice payment on FSN 100 is \$76,000 of which Producer A received \$40,000.

Producer B then succeeded to the farm and crop. A succession-in-interest was recorded and a \$40,000 payment adjustment was applied to Producer B. Producer B received \$25,000 in PFC payments on other farms.

For payment limitation purposes in this example:

- Producer A has actually received \$40,000 "in hand" and is not eligible for additional PFC payments
- Producer B is eligible to receive \$15,000 of the remaining \$36,000 rice payment on FSN 100 because the \$40,000 payment reduction for rice does not apply against the producer's payment limitation.

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Notice PF-136

4 PFC Overpayment Situations That Must Be Corrected (Continued)

C

Insufficient Payment Limitation Allocations (Continued)

County Offices are reminded of the following.

- Producers may be listed on the overpayment register with the message, “Payment Limitation Exceeded”, if they meet the conditions described in subparagraphs 3 B and E. However, those producers may not actually be overpaid.
- Control County Offices shall not reallocate payment limitation amounts without consulting other County Offices first to determine the total payments actually issued to producers.

Recommendation: Control County Offices should acquire PPH from all other County Offices to ensure that the payment limitation allocations can be changed.

- Payments attributed to a “person’s” payment limitation are actual payments issued to the “person” minus receivables established for the “person”. Succession records should be ignored.

Note: For FY 2000, a new field was added to PPH indicating the total amount attributable to payment limitation. However, for 1999 and prior years, County Offices should add up all payments issued to a producer and subtract any receivables that have been established to determine the amount attributable to payment limitation. Succession records should be ignored.

Reminder: Finality rule does not apply to overpayments that result because of payment limitation.

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Notice PF-136

4 PFC Overpayment Situations That Must Be Corrected (Continued)

D

CCC-478 Changes

The vast majority of the conditions causing producers to be listed on the PFC overpayment registers are related to CCC-478 changes. These include, but are not limited to, the following.

Note: The information listed under “Description of Overpayment Condition” reflects information provided by County Offices.

Situation	Description of Overpayment Condition	Action That Shall Be Taken to Resolve the Situation
1	A large number of FY 1999 CCC-478's have been deleted so that County Offices can perform a FY 2000 reconstitution.	<p>2-CM, paragraph 451 provides that CCC-478 must be canceled before a reconstitution is updated and finalized. However, CCC-478's shall not be canceled for prior years.</p> <p>The message, “Farm Has Withdrawn”, is printed on the overpayment register for farms that have been deleted for a prior year. For FY 2000 reconstitutions, the FY 2000 contract must be canceled; however, CCC-478 is still active for FY 1999 and prior years and must be reinstated if it has been canceled.</p> <p>County Offices shall follow the provisions of 1-PF, paragraph 637 to reinstate the FY 1999 CCC-478 so the producer is removed from the overpayment register.</p> <p>Notes: County Offices shall reactivate CCC-478 for FY 1999 and any prior year that may have also been canceled.</p> <p>If the farm record has been deleted in addition to CCC-478 for 1999, State Offices shall contact Lisa Buckler, PECD, Common Provisions Branch, for assistance.</p>
2	Many County Offices specified that the producer listed on the overpayment register was the predecessor on the farm, had received payment, and was entitled to keep the payment.	<p>County Offices shall ensure that successions-in-interest are recorded according to 2-PF, Part 12 in all cases where payments were issued to a predecessor and a successor has subsequently succeeded to CCC-478. Predecessors would not be listed on the overpayment registers if a succession-in-interest payment reduction had been properly recorded.</p> <p>Note: The succession-in-interest software is still available for 1997 and future years.</p> <p>Different messages will be printed on the overpayment register depending on whether a full or partial succession situation applies.</p> <ul style="list-style-type: none"> • A full succession-in-interest will result in the message, “Found on Payment History Only”, being printed on the overpayment register for the predecessor because the predecessor has been entirely removed from CCC-478. • A partial succession-in-interest will result in the message, “Prior Payments Exceed Current Payment”, being printed on the overpayment register for the predecessor.

Notice PF-136

4 PFC Overpayment Situations That Must Be Corrected (Continued)

**D
CCC-478
Changes
(Continued)**

Situation	Description of Overpayment Condition	Action That Shall Be Taken to Resolve the Situation
3	<p>There appears to be numerous situations where:</p> <ul style="list-style-type: none"> • producers have been removed from CCC-478 • COC payment approval date is no longer recorded in the system. <p>In some cases, producers were removed from CCC-478's after the signature deadline, especially for cases involving deceased producers.</p>	<p>The message, "Found on Payment History Only", will be printed on the overpayment register for any producer:</p> <ul style="list-style-type: none"> • who has been removed from CCC-478 after receiving PFC payments • on CCC-478 who does not have a COC payment approval date. <p>County Offices should be cautioned that producer contract changes are not allowed after the CCC-478 signature deadline without DAFP approval. 2-PF, paragraph 171 provides guidance on issuing PFC payments to another payee for situations where FSA-321 has been filed.</p>
4	<p>A few farms were deleted from the system so that the farm could be transferred to another County Office after PFC payments were issued.</p>	<p>3-CM, subparagraph 74 A and 2-PF, subparagraph 38 C specify that farms shall not be transferred to another County Office after PFC payments have been issued for the FY. These situations can only be rectified according to the following:</p> <ul style="list-style-type: none"> • overpayment shall be transferred to CRS by the original County Office that issued the payment before the farm was transferred • producer shall be notified of the debt according to 58-FI and 67-FI • County Office that received the farm through the transfer shall ensure that a request for authorization codes is prepared if payments issued in the receiving county were somehow reduced or not paid after the transfer.

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Notice PF-136

4 PFC Overpayment Situations That Must Be Corrected (Continued)

**E
Refused
Payments**

As described in subparagraph 3 C, if the refused payment flag is set for a producer who has already received PFC payments, the producer will be listed on the overpayment register. However, it appears that some County Offices are using the refused payment flag for purposes other than its intended use.

In many cases, County Offices are using the refused payment flag to control when a payment is issued instead of allowing the system to work like it is designed to work. If the refused payment flag is set to “Y” in the name and address file, then every PFC payment ever issued to the producer will be listed on the applicable overpayment register from 1996 forward.

The refused payment flag in:

- the name and address file is intended to designate that the producer has refused all program payments
- the CCC-478 share or producer payment selection process is intended to designate that the producer has refused the PFC program payment only. See 1-PF, paragraphs 546 and 550.

County Offices shall ensure that the refused payment flag is only being set if the producer has actually refused either the PFC program payments or all program payments.

The following are examples of how County Offices are using the refused payment flag to control payment processing, which is causing producers to also be listed on overpayment registers.

Situation	County Office Explanation	Comments/Observations
1	Producer is in a bankruptcy status.	<p>Any time a payment is due to be issued for a producer in bankruptcy status, OGC should be consulted to determine what action should be taken regarding that payment. For FY 2000, the PFC payment process was modified to send all producers in bankruptcy status through the “O” payment batch, so the payment can be issued according to OGC’s guidance. See 2-PF, subparagraph 101 C.</p> <p>If OGC advises that a payment should be withheld, the County Office should set the refused payment flag to “Y” for the producer, but extra caution should be taken to reset the flag as soon as authorized.</p> <p>County Offices shall ensure that if OGC advises that payments should be withheld, and the refused payment flag is set accordingly, that any overpayments listed for the affected producer are not transferred to CRS.</p>

Continued on the next page

Notice PF-136

4 PFC Overpayment Situations That Must Be Corrected (Continued)

E
Refused
Payments
(Continued)

Situation	County Office Explanation	Comments/Observations
2	Producer on the contract died and the heirs were in disagreement.	Any time there is a dispute in shares, County Offices shall ensure that the COC payment approval is removed from the system. This will prevent any payment from being issued on the contract until the dispute is settled.
3	Farm is in an appeal.	If there is a situation causing the farm to be ineligible for payment, the system should be updated accordingly, that is, the COC payment approval date should be removed from the contract for the applicable FY. If that condition subsequently causes the farm or producer to be in a nonpayment situation, the PFC payment will not be issued.
4	The refused payment flag was set to ensure that the producer is not paid before the payment limitation amounts are downloaded.	<p>The control County Office is responsible for allocation of the payment limitation amounts attributable to each County Office for multi-county producers. This process controls how much money is issued to a producer in each county. If the payment limitation allocation is:</p> <ul style="list-style-type: none"> • less than the amount of the payments to be issued, payments will be reduced to ensure that the allocation is not exceeded • greater than the amount of the payments to be issued, payments will be issued without being reduced. <p>The control County Office can either increase or decrease the allocation as necessary to ensure that the maximum payments are issued to the producer.</p> <p>There is not a need to use the refused payment flag in this manner.</p>
5	The refused payment flag was set so the farm would not be paid while waiting on FY 2000 contract revisions to be made by the producers, because the 1999 producer does not have an interest in the farm for 2000.	<p>If the producer does not have an interest in the FY 2000 contract, the COC payment approval date should be removed from the system. This will prevent any payment from being issued on the contract until the shares are all designated and the contract is approved by COC.</p> <p>Reminder: The CCC-478B/CCC-478 PFC Status Report lists contracts that are pending because the COC payment approval date is not loaded in the system. This report shall be used throughout the FY to ensure that the contract information is properly loaded in the system. See 1-PF, paragraph 668.</p>

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Notice PF-136

4 PFC Overpayment Situations That Must Be Corrected (Continued)

F

FAV Acre-for-Acre Payment Reductions

Quite a few County Offices had producers listed on their overpayment registers because of an FAV acre-for-acre payment reduction. In many of the cases, the County Office indicated that the overpayment was being transferred to CRS because it was a legitimate debt. However, some County Offices indicated that the producer had:

- already refunded the overpayment amount
- been paid correctly.

In all likely hood, the majority of the overpayments listed resulted because the producers had received 100 percent of their PFC payments before the acre-for-acre payment reduction was recorded. In these cases, the producer is overpaid.

In all situations, where a overpayment legitimately exists because of FAV planted on contract acreage, the overpayment shall be transferred to CRS immediately upon determining that the producer is overpaid. If the producer has already refunded the overpayment amount, the refund shall be applied to the receivable according to 67-FI.

G

Amounts Already Repaid

Quite a few County Offices indicated that overpayment amounts had already been refunded by producers, so the producer was no longer overpaid. Based on the explanations provided, it appears that the refunds may not have been handled properly in these cases. Therefore, these producers continue to be listed on the overpayment register.

If a producer has a PFC overpayment or chooses to refund a PFC payment, an overpayment must be transferred to CRS to establish a receivable. Receivables cannot be manually established in CRS for the PFC program. Therefore, if the producer is listed on the overpayment register, but a refund has already been deposited for the producer, then either, or possibly both, of the following apply:

- receivable was not established properly
- refund was not deposited properly.

County Offices shall ensure that:

- overpayments are transferred to CRS according to 2-PF, paragraph 224 for any producer who is overpaid or who has refunded PFC payments
 - the refund is applied against the producer's receivable according to 67-FI.
-

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Notice PF-136

4 PFC Overpayment Situations That Must Be Corrected (Continued)

H

Reasons Do Not Match Register Messages

In many cases, it is apparent from the explanations provided on the report that County Offices do not understand the reason a producer is being listed on the overpayment register.

2-PF, subparagraph 141 H provides a detailed description of messages printed on the overpayment register and action that can be taken to rectify conditions causing a producer to be erroneously listed on the overpayment register. County Offices shall ensure that invalid conditions are rectified so the producer is no longer listed on the overpayment register.

The following are 2 examples of explanations provided on overpayment registers submitted to PECD where the County Office's explanation does not match the reason the system shows the producer is overpaid.

- The message, "Found on Payment History Only", was printed on the overpayment register for the producer, but the County Office specified that the producer had refused payment. If a producer has refused payment, and the refused payment flag has been set in the:
 - CCC-478 worksheet process, the message, "Producer Has Refused This Program Payment", will be printed on the overpayment register for the producer
 - name and address file, the message, "Producer Has Refused All Program Payments", will be printed on the overpayment register for the producer.
- The message, "Found on Payment History Only", was printed on the overpayment register for the producer, but the County Office explained that they have contacted another County Office to update the 6-CP flag. If the producer had a bad 6-CP flag, the message printed would be specific to the flag causing the ineligible condition. In this case, the message, "6-CP Flag in ST XX CTY XXX is Invalid", would be printed on the overpayment register.

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Notice PF-136

4 PFC Overpayment Situations That Must Be Corrected (Continued)

I Appeals

Several producers were listed on the overpayment register, but the County Office had not transferred the overpayment to CRS because the producer had appealed an adverse determination.

The fact that a producer has appealed an adverse determination does not mean that the overpayment is in a “hold” mode. Producers are overpaid if the producer has been determined ineligible for all or part of any payment received. In appeal cases:

- overpayments shall be transferred to CRS immediately upon determining the producer’s ineligibility
- the producer shall be notified of the debt and provided appeal rights according to 58-FI and 67-FI.

Note: See 58-FI, paragraph 160 for additional information on offsetting payments for producers in an appeal status.

5 MLA Overpayment Situations That Must Be Corrected

A Introduction

Many of the situations described in paragraph 4 also apply to MLA payments. However, some conditions were found that are very specific to MLA payments.

Reminder: MLA policy and payment procedure has not been incorporated into 1-PF or 2-PF. For FY 1999, Notice PF-121 was issued describing the policy and procedure for processing MLA payments and overpayments.

Continued on the next page

Notice PF-136

5 MLA Overpayment Situations That Must Be Corrected (Continued)

B

MLA Software

A number of County Offices required assistance in processing MLA overpayments because they did not have access to Menu MGCL00 that allows County Offices access to the MLA payment and overpayment software. On October 25, 1999, Information Bulletin 1757 was released to County Offices that provided that:

- options for 1999 MLA payments and 2000 PFC payments were made accessible in Release Beta NN
- if Release Beta NN was installed before installing County Release No. 419, these modules were overlaid and must be placed back in library PD.PRADJ.

If County Offices installed Beta Release NN before County Release No. 419 was installed, then Menu MGCL00 was disabled when County Release No. 419 was installed. The software modules transmitted to County Offices on October 25, 1999, gave County Offices access to Menu MGCL00.

Without Menu MGCL00, County Offices did not have access to any of the MLA payment or overpayment options after County Release No. 419 was installed. This means that these County Offices have probably never processed MLA overpayments. Just like PFC, County Offices are required to compute MLA overpayments every 60 calendar days to ensure that:

- producers are notified of debts in a timely manner
 - the debt will not be written off because of the finality rule.
-

E

Erroneous MLA Succession-In-Interest

Many County Offices indicated that a producer was listed on the MLA overpayment register because of a succession-in-interest after the MLA payment was issued.

MLA payments are issued to producers who were eligible for FY 1999 final PFC payments. The MLA payments were issued after September 30, 1999, and well after the August 16, 1999, signature deadline, so there should not have been any FY 1999 contract changes after the MLA payments were issued.

Notice PF-136

6 Required Action

A County Office Action

The vast majority of the overpayment registers submitted included notations by the County Office that the producer was not actually overpaid. In some cases, a detailed description was provided on the situation involved. In other cases, either no explanation was provided or just a statement that the producer was paid correctly.

However, from the responses received, there does not appear to be enough emphasis being placed on having correct records in the system. While many of the producers listed on the overpayment registers may not actually be overpaid, County Offices shall ensure that the system is updated at all times to accurately reflect:

- determinations that have been made for producers
- contract status.

Many of the files used in the PFC and MLA payment processes are uploaded to KC-ITSDO and that data is used for various reasons. The data uploaded must be correct to ensure that accurate information is disseminated.

County Offices shall take the following action:

- correct the conditions causing producers to be listed as overpaid, unless the condition is 1 of those identified in paragraph 3
- if the County Office cannot resolve the condition causing the overpayment, consult the State Office for assistance

Note: County Offices **shall not** contact the FSA National Help Desk to resolve outstanding overpayment situations.

- submit reconciled overpayment registers to the State Office

Note: County Offices shall ensure that:

- an “ALL” overpayment batch has been processed
 - the only remaining overpayments are conditions that cannot be corrected, unless otherwise notified by the State Office.
- ensure that the PFC and MLA overpayment process is run at least once every 60 calendar days for all program years that are enabled.

Continued on the next page

Notice PF-136

6 Required Action (Continued)

B State Office Action

State Offices shall:

- work with County Offices to reconcile conditions that are causing producers to be erroneously listed on overpayment registers

Notes: DAFP shall provide, under separate cover, State Offices with information specific to the overpayment registers submitted by each County Office.

Notice PF-129 provided that State Offices should advise their County Offices if the overpayment register documentation should be submitted to the State Office. PECD will not be providing the overpayment documentation to State Offices. Therefore, State Offices shall obtain the documentation from County Offices if the documentation was not previously submitted to the State Office.

- work with County Offices to ensure that any overpayments that have been transferred to CRS are actual debts to CCC

Note: It appears that some overpayments were transferred to CRS to remove the producer from the overpayment register before submitting it to the National Office. These producers may not actually be overpaid.

- submit a report to PECD through FAX by COB August 7, 2000, for each of the County Offices listed in the report that will be submitted to the State Office by PECD, that identifies:
 - action taken by each County Office to reconcile PFC and/or MLA overpayment registers
 - any County Offices that still have outstanding overpayments that have not been or cannot be rectified
- contact PECD for assistance, if assistance is needed in:
 - correcting conditions causing producers to be listed as overpaid
 - policy clarifications.

Continued on the next page

Notice PF-136

6 Required Action (Continued)

**B
State Office
Action
(Continued)**

The following is a list of the applicable PECD program specialists and their area of responsibility.

Note: State Offices **shall not** contact the FSA National Help Desk before contacting PECD.

Program Area	PECD Program Specialist
PFC Payment and Overpayment Process MLA Payment and Overpayment Process Automated Succession-in-Interest	Tracey Smith
AMTA Policy	Kay Niner Carla Hill
Automated CCC-478 Farm and Tract Maintenance	Lisa Buckler
Subsidiary Files	Larry Hoffman
Farm and Tract Reconstitutions	Loretta Baxa
FAV Acre-for-Acre Payment Reductions FAV Violations PFC Maintenance Reductions FAV Reporting Violations	Sharon Biastock

**C
PECD Action**

One of the purposes of the overpayment register review was to identify problematic situations and potential software modifications. Based on the conclusions of the overpayment register review, PECD will take action in the following areas.

- Several minor software modifications have been identified that will help streamline the overpayment process. However, it should be noted that no actual problems have been identified with the overpayment process, other than the conditions described in paragraph 3.
 - 2-PF will be amended to clarify policy for certain situations that seem to be causing confusion for County Offices. This should provide County Offices with a better overall understanding for handling PFC payments and overpayments.
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